74

Castle & Cooke, Inc.

1974 Annual Report

Castle & Cooke is an international complex of diversified operations—principally food production, processing, distribution and marketing but also including real estate, manufacturing, merchandising and service activities. Food accounts for roughly 75% of the Company's total revenues. Products include Dole pineapple, Dole bananas, Bumble Bee seafood and Shady Oak mushrooms. In the U.S., Dole is the leading brand in both processed pineapple and in bananas, with market shares of 45% and 41%, respectively. Bumble Bee ranks among the seafood leaders, with 8.4% of the U.S. tuna pack and 10.5% of the U.S. salmon pack. Shady Oak is the leading mushroom brand on the West Coast. In addition, the Company has sugar operations in Hawaii that produce 10% of that state's sugar production.

Food production and processing facilities are located in Hawaii, California, Oregon, Washington, Alaska, Illinois and Maryland. Overseas facilities are located in the Latin American countries of Honduras, Costa Rica, Nicaragua, Ecuador, Surinam and Brazil and in the Asian nations of the Philippines and Thailand.

In real estate, Castle & Cooke subsidiaries have major projects in Hawaii and California. The Company owns 150,000 acres of land in Hawaii and 14,000 acres in California.

Manufacturing activities include a California producer of automatic swimming pool cleaners, and two majority-owned subsidiaries—a steel pipe manufacturer in Thailand and a rock quarrying operation in Malaysia. Merchandising operations include a chain of self-service department stores on the West Coast, and a heavy equipment distributor in Hawaii. Service activities consist of several small transportation-related subsidiaries in Hawaii.

Worldwide employment in 1974 totaled 23,308 regular full-time employees, plus intermittent, part-time and seasonal workers numbering the equivalent of 9,376 additional full-time employees.

The Company is incorporated under the laws of the State of Hawaii. Corporate headquarters are located at 130 Merchant Street in Honolulu. Pacific Coast and Food Group offices are located at 50 California Street in San Francisco.

The Company's common stock is traded on the New York, Pacific and Honolulu stock exchanges.

Table of Contents

Financial Highlights

	Fiscal Year	
OPERATIONS	**1974**	1973
Revenues	**$753,131,000**	$694,949,000
Net income	**42,661,000**	26,876,000
Earnings per share	**2.77**	1.72*
Average number of shares	**15,405,925**	15,606,457*
Cash dividends declared	**9,091,000**	7,884,000
Cash dividends paid	**11,071,000**	7,750,000
Paid per share outstanding during each period	**.80**	.60
Stock dividends:		
Declared February 9, 1973, paid March 26, 1973		5%
Declared December 14, 1973, paid March 18, 1974		7%
Declared December 2, 1974, payable February 28, 1975	**10%**	
Capital additions	**19,406,000**	15,480,000
Depreciation expense	**14,978,000**	16,701,000
Return on average stockholders' equity	**16.49%**	11.44%
Market price range per share	**9⅛-16¼ ***	10¼-15¾*

AT YEAR END		
Working capital	**$173,877,000**	$135,973,000
Total assets	**630,461,000**	567,655,000
Long-term debt	**136,815,000**	137,632,000
Stockholders' equity	**273,968,000**	243,452,000
Per share	**17.96**	15.68*
Number of shares	**15,253,862**	15,531,033*
Number of stockholders	**23,817**	22,464

*Adjusted to give effect to stock dividends.

Annual Meeting
The annual meeting of stockholders will be held on April 18, 1975, at 8:30 a.m. in the Company's headquarters, 130 Merchant Street, Honolulu, Hawaii. Stockholders of record at the close of business February 26 will be entitled to vote at the meeting. A formal notice of the meeting, together with a proxy statement and proxy form, will be mailed about March 15. Prompt return of your proxy form will be appreciated.

To Our Fellow Stockholders

Castle & Cooke's net income and revenues for 1974 again reached new highs, due primarily to record earnings from the Company's sugar and pineapple operations. Net income for the 52 weeks ended December 28, 1974, amounted to $42,661,000 on revenues of $753,131,000, compared with profits of $26,876,000 on revenues of $694,949,000 in 1973.

Earnings per share in 1974 amounted to $2.77, compared with $1.72 in 1973. Both figures have been adjusted for a 10% stock dividend declared in December, 1974.

In acknowledgment of the sharp improvement in corporate profits, the Board of Directors in November increased the quarterly cash dividend on the common stock to 20¢ a share from the previous quarterly rate of 15¢. The following month Directors voted a 10% stock dividend and indicated their intention to continue the 20¢ quarterly rate on the increased shares resulting from the stock dividend. These two actions amount to a 47% increase over the quarterly cash dividend rate in effect earlier in 1974.

The stock dividend is the third in as many years. A 7% stock dividend was paid in early 1974 and 5% in early 1973. The 10% stock dividend was decided upon in addition to the cash increase in recognition of the 1974 Castle & Cooke stockholders survey, which showed that shareholders' interest in stock dividends was equal to their interest in cash dividends.

During the year, the Company's non-food operations were organized into two new management units—Real Estate and Manufacturing & Merchandising. These, along with Castle & Cooke Foods, were given "Group" designations.

In the results for 1974, sugar accounted for more than 50% of corporate net income. Pineapple also achieved a very substantial improvement. These two activities gave the Company's food operations a record high in profits, despite a loss in bananas due to a combination of factors. Among these was extensive hurricane damage to our banana crops in Honduras in September with resulting productivity losses and very high costs. Damages to uninsured assets were approximately $2 million after provision for income tax effect. In addition, heavy industry shipments of bananas to the North American market at times during the year depressed prices below normal levels.

Elsewhere in the Foods Group, seafood earnings were off sharply, and mushroom results declined.

Sugar prices already have declined substantially from the peak reached in late November. We expect the average return for 1975 to be somewhat lower than 1974 but considerably higher than in 1973.

Pineapple is expected to have another good year in 1975. The outlook for bananas is still uncertain, but a modest profit is expected this year. In seafood, we plan expansion of our in-house sources of supply capabilities in order to reduce costs and return to the profit levels of prior years. Mushrooms are expected to resume the growth of prior years as we enter new markets in 1975.

The Real Estate Group reported disappointing results for 1974 due to the effects of the U.S. business recession and high interest rates. Active projects did well under the circumstances and operated profitably. However, some projects were delayed or halted in midstream, and appropriate charges against 1974 income have been provided to reflect reduced asset values.

Although the outlook is uncertain at present, we believe we are now on firm ground to take advantage of any improvement in the real estate market.

Within the Manufacturing & Merchandising Group, merchandising earnings improved, but manufacturing declined because of a sharp drop in profits from a Philippine subsidiary. This group of activities is expected to make modest gains in 1975.

The financial condition of the Company continues to be strong. A healthy debt-to-equity ratio was maintained despite a significant increase in working capital requirements for inventories and accounts receivable. The level of inventories, both supplies and finished products, is expected to be reduced somewhat during the coming year. The increase in accounts receivable was due primarily to an unusually high sugar receivable, which will be liquidated during the first part of 1975.

Many companies changed their method of inventory valuation in the second half of 1974 in order to minimize the related "inventory profits" in their earnings. Following studies, we decided against any change from our present method of valuation. Approximately 7% of our 1974 net income could be classified as "inventory profit," and changing to the Lifo (last-in, first-out) method would have made only a minimal difference in operating results and thus did not warrant the cost of such a change.

Our corporate development department was responsible for two mushroom company acquisitions during 1974. In addition, the department is investigating several other acquisitions as well as product line expansion. It also is working closely with management on general corporate strategy aimed at future expansion.

While the bulk of the Company's capital budget is designed to increase future earnings, an increasing proportion is required to meet employee safety and environmental protection standards.

During the year, Castle & Cooke accelerated its efforts in

the field of Equal Employment Opportunity. As a corporate citizen, we share responsibility for making our society more equal and just. To this end, the Company reaffirmed its EEO policy by inaugurating an aggressive corporate-wide program and creating a new position, Director of Affirmative Action, to develop and implement the program.

In Honduras, Hurricane Fifi caused extensive loss of life and widespread misery for thousands. Castle & Cooke contributed $100,000 for emergency relief aid, and made our ships and personnel available without charge to help transport and distribute the vital supplies.

In the Philippines, the "parity" provisions of that country's constitution, adopted in accordance with the Laurel-Langley Act and which provided certain privileges to American firms operating there, expired in mid-1974. This required us to reduce our ownership in Republic Glass Corporation in Manila to less than 40% because it is classified as an "extractive" industry. However, no such reduction is required for our pineapple and banana operations there.

At the 1974 Annual Meeting, four Directors totaling 100 years of association on the Board did not stand for re-election. The four—A. G. Budge, J. H. Midkiff, T. F. Sandoz and A. D. Schwaner—are continuing their association with the Company as advisory directors.

They were succeeded on the Board by James F. Gary, president of Pacific Resources, Inc., Honolulu; John D. Gray, chairman of the board of OMARK Industries, Inc., Portland, Ore.; C. Calvert Knudsen, senior vice president of Weyerhaeuser Company, Tacoma, Wash.; and David T. Pietsch, executive vice president and co-owner of Title Guaranty of Hawaii, Inc., Honolulu.

Our sincere appreciation is extended to every employee of Castle & Cooke for unswerving dedication and effort that helped make 1974 another record year for the Company.

Malcolm MacNaughton

Malcolm MacNaughton
Chairman of the Board

D. J. Kirchhoff

D. J. Kirchhoff
President

Honolulu, Hawaii
January 28, 1975


D. J. Kirchhoff


Malcolm MacNaughton


Dole
chunk
pineapple

VERTICAL INTEGRATION

The vertical integration of Castle & Cooke's food operations is portrayed in this chart showing locations of source and processing, means of distribution, and geographic markets for major products.

	Source	Processing	Distribution	Marketing
Pineapple	Hawaii, Far East and Honduras	Hawaii, Thailand, the Philippines	By ship, rail, truck; "Jet Fresh" by air	North America, Europe, Japan
Bananas	Latin America and the Philippines	All handled as fresh product	By chartered fleet of "reefer" ships	North America, Europe, Japan
Mushrooms	California, Oregon, Illinois, Brazil	Oregon, Illinois and Brazil	By company trucks, common carriers	West Coast, Mid-west, Brazil
Sugar	Sugar cane grown in Hawaii	Partially in Hawaii; refined by C and H	Handled by C and H	By C and H in Western U.S.
Seafood	Mostly purchased from others	Five U.S. states and Surinam	By rail and truck common carrier	Regional markets within the U.S.

Vertical Integration is a key ingredient in Castle & Cooke's corporate strategy for profit stability and long-term growth. It is one of the Company's major operational strengths, particularly in our widespread food activities.

The concept of Vertical Integration can be defined as having management control over as much of an operation's activity as possible—from growing the raw product through sale to the customer. The concept can be divided into four major components—source, processing, distribution and marketing.

Within Castle & Cooke's food activities, the degree of integration varies from product to product. It is greatest in the Company's pineapple, banana and mushroom operations. With each of these, we grow our raw product, process and pack it, and handle the distribution and marketing.

The Company's sugar operation also can be considered integrated. Although we process only to a stage called "raw" sugar, the rest is handled by California and Hawaiian Sugar Company, a cooperative owned by the Hawaii sugar industry. C and H handles the refining process and the distribution and marketing for all Hawaiian raw sugar.

We are considerably less integrated in our seafood operation. We handle the processing, distribution and marketing but we catch less than half of our raw product supplies. The bulk of our needs is purchased on the open market. Because of this situation, the Company was severely penalized this past year as shortages pushed raw product prices to record levels.

Correcting this situation is one of the Company's principal goals. We intend to materially increase our own sources of raw fish supplies by expanding our fishing and related facilities.

This situation, and its effect on our seafood earnings in 1974, illustrates one of the major advantages of Vertical Integration—having your own source of raw product. Without it, you may be a winner in times of surplus, but you quickly become a loser in times of shortage. Control of source stabilizes profits.

Another advantage is quality control. This applies equally to source and processing. Our broad agricultural expertise permits us to continually improve the quality of the raw products we produce. In processing, we can act quickly to correct a flaw or install technological improvements.

In the distribution component, the Company operates a chain of strategically-located distribution centers across the U.S. to assure customer availability of processed products. For bananas, we operate a fleet of chartered ships to carry the product to market at the peak of quality.

For fresh foods—pineapple and mushrooms in addition to bananas—our marketing organization stresses assistance to the grocer in extending quality shelf life. This helps to maximize his profit as well as ours.

In marketing, our philosophy is to do something extra for the customer. That's really the name of the game—customer satisfaction.

6

Source — Bananas
The Company's bananas are grown in Honduras, Costa Rica, Nicaragua and Ecuador for the North American and European markets; in the Philippines for the Japanese market.

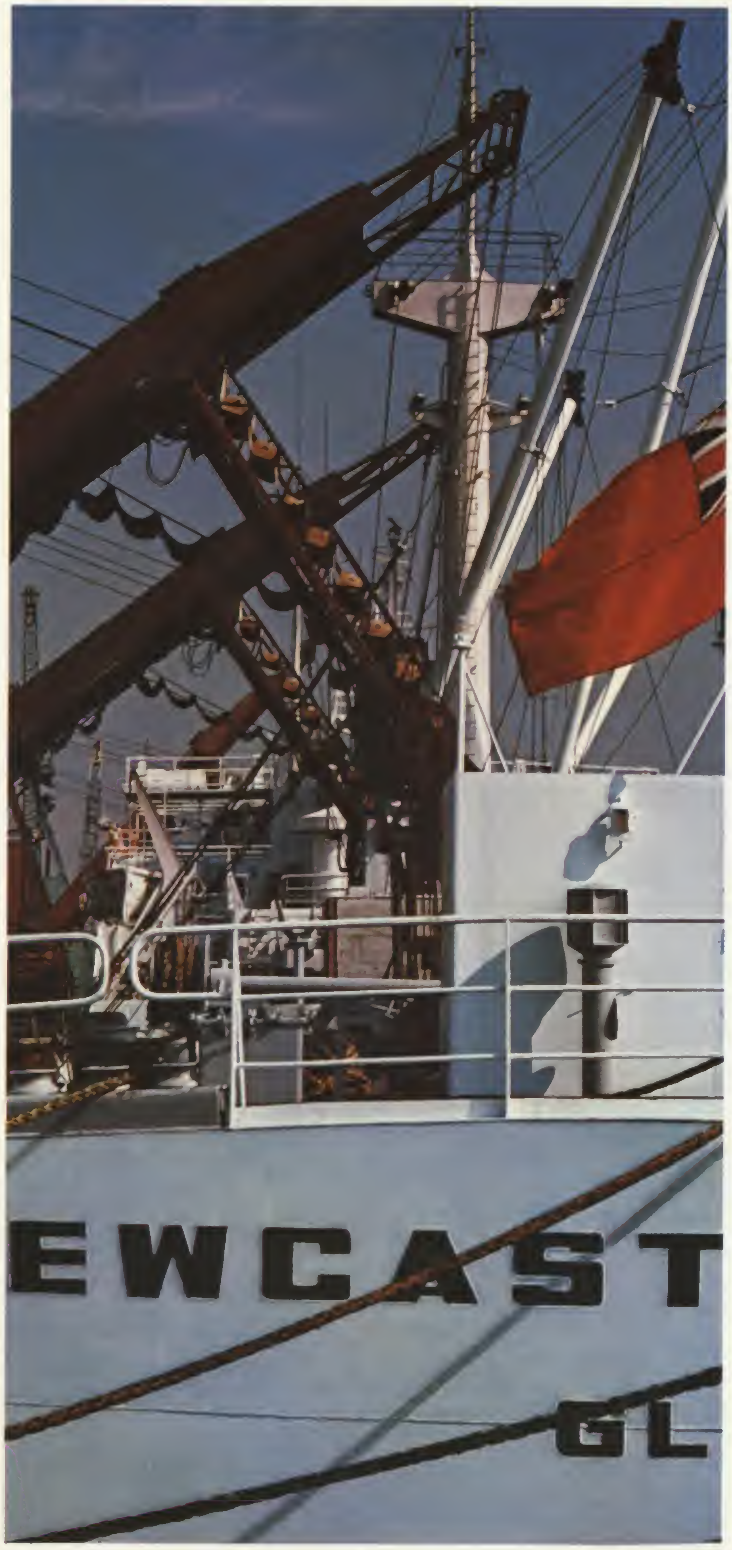
Source — Sugar
This vast sugar cane plantation, operated by Waialua Sugar Company in Hawaii, is the principal source of our sugar production. The subsidiary is expanding its output by 25%.

Source — Mushrooms
These spore cultures are the source of spawn, the seed material for mushrooms. The spawn is grown under sterile laboratory conditions in the Company's mushroom facilities.

Processing — Pineapple
This is one of 32 production lines in the Dole pineapple cannery in Honolulu. Another cannery is located in the Philippines, and a new one in Thailand began operations in 1974.

Processing — Seafood
Loins of tuna are prepared for canning in our Hawaiian Tuna Packers plant in Honolulu. Other tuna canneries are located at Astoria, Ore., and Cambridge, Md.

Distribution — Bananas
The Company operates a fleet of chartered refrigerated ships to transport its bananas to market. The fruit, packed in protective cartons, arrives at the peak of quality.



Marketing — Pineapple
Fresh Dole pineapple from Hawaii is now marketed throughout the U.S. Traveling by jet air freight, the golden ripe fruit is on the market shelf within 48 hours after harvest.

Marketing — Seafood
A giant Bumble Bee balloon is featured in this clip from one of our seafood TV commercials. Both TV and printed media are used to help market the Company's food products.

Summary of Operations

Revenues and Earnings by Major Activities

(in thousands)	Fiscal Year 1974		Fiscal Year 1973		Nine Months Ended Dec. 31, 1972		Year Ended March 31 1972		Year Ended March 31 1971	
REVENUES										
Food	**$562,562**	**75%**	$512,330	74%	$333,634	73%	$396,302	72%	$381,495	74%
Real Estate	**46,163**	**6**	50,100	7	24,981	5	38,129	7	28,082	5
Merchandising	**81,527**	**11**	76,333	11	57,102	13	64,389	12	61,579	12
Manufacturing	**24,465**	**3**	29,927	4	20,379	4	22,300	4	20,299	4
Services & Other	**38,414**	**5**	26,259	4	20,880	5	26,234	5	23,210	5
Total	**$753,131**	**100%**	$694,949	100%	$456,976	100%	$547,354	100%	$514,665	100%
OPERATING EARNINGS										
Food	**74,713**	**80%**	51,915	74%	28,820	75%	25,833	63%	24,793	74%
Real Estate	**(590)***	**(1)**	4,020	6	2,720	7	9,250	22	4,138	13
Merchandising	**2,372**	**3**	2,150	3	1,541	4	237	1	16	0
Manufacturing	**5,239**	**6**	6,893	10	2,688	7	3,780	9	3,155	9
Services & Other	**11,187**	**12**	5,034	7	2,726	7	1,854	5	1,481	4
Total	**92,921**	**100%**	70,012	100%	38,495	100%	40,954	100%	33,583	100%
LESS UNALLOCATED EXPENSES:										
Corporate	**4,463**		4,654		3,191		4,139		3,745	
Interest	**15,984**		13,532		10,854		14,545		14,767	
INCOME BEFORE TAXES	**72,474**		51,826		24,450		22,270		15,071	
INCOME TAXES	**26,981**		22,527		9,300		8,709		6,157	
	45,493		29,299		15,150		13,561		8,914	
MINORITY INTERESTS	**2,832**		2,423		1,274		1,913		1,640	
	42,661		26,876		13,876		11,648		7,274	
EXTRAORDINARY ITEMS	**—**		—		(1,445)		934		3,478	
NET INCOME	**$ 42,661**		$ 26,876		$ 12,431		$ 12,582		$ 10,752	

*Includes charges of $9 million to adjust asset carrying value of some real estate projects to estimated net realizable value.

Management's discussion and analysis of operations appear on pages 11 through 17.

FOODS

	1974	1973
Revenues	**$562,562,000**	$512,330,000
Earnings	**$ 74,713,000**	$ 51,915,000

Revenues and operating earnings of Castle & Cooke's food activities reached new highs in 1974. This performance was due principally to record sugar revenues and earnings resulting from abnormally high prices reached during the year. Sugar accounted for more than 50% of corporate profits for the year. With prices already below their 1974 peak, sugar results are expected to be somewhat lower in 1975 but still well above those of 1973 and prior years. The Company's sugar accounting policy and its effect on 1974 earnings are discussed in the summary of accounting policies on Page 18.

Pineapple revenues and earnings, especially from processed product operations, showed a very substantial improvement over 1973, and this activity is expected to have another good year in 1975. The Company's food-related activities also showed improved results in 1974.

However, banana activities operated at a loss during the year, compared with record earnings in 1973. Revenues and earnings of seafood and mushroom activities declined. Improvement in each of these activities is expected in 1975. The following text contains detailed explanations of the food operations for 1974.

Processed Products

Dole Pineapple The Company reported record profits from its processed pineapple operations in 1974. Several key factors contributed to this performance: (1) completion of the inventory reduction and pack simplification programs; (2) major price increases in other canned fruits that permitted long-overdue price adjustments for our pineapple products; (3) a substantial reduction in merchandising costs, made possible by vastly improved market conditions in the U.S.; and (4) more profitable European sales.

The inventory reduction program, begun in 1972, was achieved by reducing production to a level considered optimum for the Company's worldwide marketing needs. Prior production levels had been too high. In addition, the relocation of certain pineapple resources from the high-cost Hawaii operation to lower-cost operations in the Philippines and Thailand continued. The pack simplification program eliminated small-volume and low-margin products.

Despite the price adjustments on pineapple, the prices of

other canned fruits increased so sharply that by year end, pineapple's traditional price "premium" over those products had practically disappeared, making pineapple a comparative bargain for the consumer.

This situation permitted the Company to substantially reduce its promotional and other merchandising costs for its processed pineapple products during the year.

A 22-day strike by the ILWU against the Hawaii pineapple industry and a concurrent 59-day strike against the Honolulu can manufacturing plant caused some dislocation in Hawaii operations.

The expiration in mid-1974 of a temporary "parity" amendment to the Philippine Constitution, enacted in accordance with the Laurel-Langley Act, does not affect our Philippine pineapple production, and operations there are being expanded. Pineapple operations in Thailand encountered a number of start-up problems, but long-range plans and prospects there remain unchanged.

Sugar The phenomenal rise in sugar prices, triggered by a worldwide shortage and reaction to the scheduled expiration of the U.S. Sugar Act at year end, propelled sugar profits to abnormal heights. As a result, sugar earnings accounted for more than 50% of Castle & Cooke's total net income in 1974.

In addition to record sugar prices, our Waialua Sugar Company on the island of Oahu, with higher yields and added acreage, set a new production record of almost 80,000 tons of raw sugar in 1974. This was achieved despite a 46-day Hawaii sugar industry strike by the ILWU that delayed the start of the harvesting season, and heavy flooding in April that caused a further delay.

At mid-year, as sugar prices and earnings climbed, the ILWU demanded that the Hawaii sugar industry share the profits with its employees. Protracted negotiations eventually led to a bonus and wage-increase agreement that included a one-year extension of the sugar industry labor contract to January 31, 1977.

During the year, Waialua Sugar began the second half of a $4.5 million expansion program that will increase its production capacity to more than 100,000 tons annually by 1978. The program includes the addition of 3,250 acres of former Dole pineapple land adjacent to Waialua's sugar cane acreage, plus the introduction of vastly improved mechanical harvesting and irrigation techniques.

At Kohala Corporation on the island of Hawaii, plans continue toward the scheduled 1975 phase-out of the basically uneconomic sugar operation there.

Bumble Bee Seafoods Seafood revenues declined and earnings dropped substantially below the record levels of 1973, primarily because of escalating raw product costs and consumer resistance to the resulting higher prices for many

A harvesting crew in Hawaii picks pineapples at the peak of ripeness.


Hawaiian raw sugar is unloaded at C and H refinery.

varieties of seafood.

White meat tuna operations were hurt by a severe cost/price squeeze. World prices for raw product continued their rise of 1973 into early 1974, due principally to higher fuel costs and the pull of then-existing high meat prices. As the price of meat eased, canned white tuna encountered some price resistance, which is continuing. In the latter part of 1974, raw product prices began gradually to decline, creating a more favorable outlook for 1975.

Late in 1974, the Company introduced a new line of Bumble Bee solid white meat tuna packed in water to complement its leading market position in solid white tuna packed in oil. Customer acceptance has been most gratifying.

Sales of light meat tuna were slightly below those of 1973. Supplies from domestic sources were less than expected, due mainly to an exceptionally small run of skipjack tuna in Hawaiian waters.

In December, Castle & Cooke temporarily suspended plans for a $7.6 million tuna cannery in American Samoa because of a critical water shortage there. We continue to focus major attention on expanding our tuna fishing and processing facilities in order to improve profitability.

Canned salmon revenues dropped substantially below a year ago. Supplies were limited by unusually small Alaskan salmon runs due to the adverse effects in prior years of severe cold in several major spawning areas. We expect runs of about the same magnitude again in 1975 but a return to normal levels in subsequent years.

Bumble Bee white meat tuna has long had a reputation for fine quality.

Our tropical shrimp operations in Surinam operated at a loss. The cause was a combination of high fuel costs in shrimp fishing, much lower than normal catches and lower market prices for frozen shrimp. Activities continued during the year toward expanding future volume.

The Company's Figaro line of canned gourmet pet foods continued to show favorable results.

Fresh Products

Dole Bananas Banana activities operated at a loss in 1974. This was a sharp reversal from 1973 when bananas were the largest single contributor to corporate earnings. This severe setback was caused by a record oversupply of fruit in the North American market early in the year, inflation-fueled cost increases that included a new export tax, and devastating hurricane damage in Honduras.

Dole bananas maintained their position of leadership in the North American market despite these problems. Although price levels were higher on average than in 1973, they still were inadequate to absorb the substantially higher cost burden.

In the European market, results were slightly better than break-even. In Japan, which is supplied by our Philippine banana operation, the Company continued profitable and increased its share of that market to 25%. However, the gain was insufficient to offset losses at home.

The North American banana glut occurred early in 1974 when a major competitor's storm-damaged acreage returned to production. Typical of the banana business, such acreage comes to harvest all at once. The resulting surge of fruit depressed industry prices far below seasonal norms.

Shortly afterward, several Latin American nations, including Honduras and Costa Rica where we operate, imposed a substantial export tax of $1 per 40-pound box of bananas. We objected to the tax because we were convinced its added cost would necessitate prices that would substantially reduce sales because of consumer price resistance. This, in turn, would have hurt rather than helped these countries. The tax eventually was reduced to 25¢ per box. We are paying the tax under protest because we are convinced it violates our contractural agreements with these countries and is adverse to the basic economics of the industry. Neither Ecuador nor Nicaragua, where we also operate, imposed the tax.

In September, Hurricane Fifi struck Honduras, killing thou-

sands of persons and destroying millions of dollars' worth of property. The Company immediately placed all of its facilities at the disposal of the Honduran government, contributed $100,000 for Honduran relief, and entered into extensive relief activities within the stricken country.

Approximately 80% of the Company's Honduran banana production was damaged by the hurricane. Modest shipments were resumed three weeks following the storm, and production is expected to be back to 70% of normal by spring or early summer of 1975. The future of the remaining damaged Honduran acreage is in question.

Because of readily available supplies from other sources, notably Ecuador, banana marketing conditions in North America remained intensely competitive through the remainder of 1974. However, by year end, market conditions began to improve to a point that indicates 1975 should show substantial improvement over the past year. Even at current price levels, bananas continue to be one of the best food buys in the marketplace.

Dole Pineapple Fresh pineapple operations reported higher profits despite some frustrations in Hawaii production, which supplies most of the U.S. market. Sales in Japan, supplied by our Philippine pineapple operation, were profitable, and volume jumped four-fold over 1973. Our smaller fresh pineapple production in Honduras continued to supply the East Coast. Test marketing of Honduran fruit in Europe indicates an encouraging future there, once volume and quality have been improved.

Our Hawaiian fresh pineapple production was hampered by the ILWU's 22-day strike against the Hawaii industry last spring. The strike delayed certain field operations, resulting in a substantially smaller harvest in the fourth quarter of the year.

A program begun in 1974 to further improve quality is expected to increase fresh sales in both the U.S. and Japan in 1975.

Mushrooms Mushroom earnings declined from 1973 because of temporary production problems, which since have been overcome. Sales efforts continue to be focused on the more profitable fresh market. This, plus expansion of total facilities, is expected to increase future volume and profitability.

Our West Foods, Inc. subsidiary on the West Coast continued to expand its Shady Oak-brand production, and sales to the fresh market were increased to 90% of total output.

In August, Castle & Cooke entered the midwestern market with the purchase of Knaust Mushrooms, Inc. of Valmeyer, Ill., near St. Louis. Knaust's production is being expanded to include fresh product that will be marketed in the Midwest under the Dole label. Castle & Cooke also purchased a 75% interest in Kinoko Mushrooms of São Paulo, Brazil.

Fresh mushrooms have become a major new food line for the Company.

Food-Related Activities

In Honduras, the Company's Cerveceria Hondurena, S.A. (brewery and soft drink production) and its affiliates reported record earnings. The operation and its employees played a key role in the Honduran relief program following the devastation created by Hurricane Fifi in September.

In Hawaii, the Company's food-related activities all reported gains in profits. These operations include can manufacturing, the contract canning of soft drinks, and the production of cattle feed and Bromelain, a valuable enzyme, all as by-products of our pineapple operations there.

REAL ESTATE

	1974	1973
Revenues	**$46,163,000**	$50,100,000
Earnings	**$ (590,000)**	$ 4,020,000

The results of Castle & Cooke's real estate activities were disappointing in 1974. Revenues declined, and an operating loss was reported for the year. Active projects, particularly Oceanic Properties' Mililani Town residential development in Hawaii, reported higher earnings. However, several projects, mostly in California, were delayed or halted in midstream, and charges of $9 million against 1974 operating earnings have been provided to reflect reduced asset values of these and other projects. The outlook for 1975 is still uncertain, but real estate revenues and earnings are expected to increase as the general real estate market improves.

Hawaii Mililani Town on the island of Oahu, Oceanic Properties' largest active real estate project in Hawaii, again reported record sales and earnings despite a slowdown in activity in the second half because of the economic climate. The project, a planned residential community 20 miles from downtown Honolulu, will cover 3,500 acres and have a population of 60,000 residents when completed.

During 1974, Oceanic Properties completed a 96-apartment low-cost housing project in central Oahu for the Hawaii Housing Authority. The project was the first of its kind in Hawaii to involve a private developer working with state government to alleviate the shortage of low-cost housing. Oceanic also began construction during the year on a similar HHA project consisting of 232 apartments in its Mililani Town development. The project will be completed in the spring of 1975.

These townhouses were completed recently at Mililani Town in Hawaii.

On the island of Lanai, 98% owned by Castle & Cooke, plans for a low-density country home and resort development have been slowed by the economic downturn. The recession has practically eliminated the recreational housing market for the time being. However, the Lanai plans remain unchanged. Subdivision zoning approval is being sought on the first phase so that work can proceed when conditions improve. The project is being handled by Lanai Company, Inc., a subsidiary of Oceanic Properties.

Land sales in Hawaii were lower in 1974. They contributed $1,871,000 to corporate profits, compared with $2,614,000 in 1973.

California In addition to the recession's adverse effects on real estate projects, development restrictions under the California Coastal Conservation Act have adversely affected two major activities in that state. Oceanic Properties' 5,000-acre Sea Ranch project 100 miles north of San Francisco has been almost completely halted. Barclay Hollander's Marina Del Rey project near Los Angeles is still under construction, but permits have been denied on a substantial portion of the project lying within the Coastal Commission's permit area.

Appeals from adverse decisions of the Coastal Commissions are now pending in state courts, based on the contention that we have vested rights to continue the development of each project. Prior to the passage of the Act in 1972, development of both projects had been well underway.

Meanwhile, BHC is proceeding with condominium plans and construction on Marina Del Rey acreage outside the coastal zone limit.

BHC also is continuing work on its Mountaingate luxury residential project in the Santa Monica mountains of West Los Angeles. As this report went to press, management was advised of a suit filed by a homeowners' group, challenging the validity of the Mountaingate subdivision proceedings. This case involves areas of recently enacted (and not yet fully interpreted) environmental legislation. While no firm prediction of the ultimate outcome can be made at this time, counsel for BHC believes, based on its evaluations of the probabilities of success, that the subdivision approval will be upheld.

The company is continuing to wind down its mobile home park joint venture, which has proved disappointing.

MERCHANDISING MANUFACTURING

Merchandising	**1974**	1973
Revenues	**$81,527,000**	$76,333,000
Earnings	**$ 2,372,000**	$ 2,150,000

Castle & Cooke's merchandising activities showed moderate increases in 1974 revenues and operating earnings. Both of the merchandising operating units—Castle & Cooke Merchandising Corporation on the West Coast and Hawaiian Equipment Company in Hawaii—contributed to the improved results.

Castle & Cooke Merchandising's improvement over the modest results of 1973 was basically the result of Christmas sales exceeding projections.

The subsidiary's principal activity is a West Coast chain of junior self-service department stores operating under the name of Value Giant. During 1974, the operation was increased to 25 stores and 13 concessions. Two new stores were added in Oregon and Washington—the first Value Giants in those states. A large new store replaced a smaller one in California.

A larger facility for office and warehouse space will be occupied in early 1975. It is located near the present facility in Brisbane, Calif., south of San Francisco.

However, plans for further expansion, except for existing commitments, have been curtailed because of uncertainties created by the recession. Only two stores will be opened in 1975, while three older, less profitable ones will be closed. Three of the 13 concession units also will be closed.

Hawaiian Equipment Company, a major distributor of agricultural, construction and industrial equipment in Hawaii, reported higher earnings due to increased product availability, more favorable prices, and the completion of a program, begun in 1973, to eliminate low-profit merchandise from the company's lines.

Manufacturing	**1974**	1973
Revenues	**$24,465,000**	$29,927,000
Earnings	**$ 5,239,000**	$ 6,893,000

Revenues and operating earnings of the Company's manufacturing activities declined in 1974. This was due entirely to a sharp drop in business at Republic Glass Corporation in the Philippines, plus a reduction in mid-1974 of our ownership in the firm as required under Philippine law. The decline more than offset gains in revenues and earnings from the Company's other manufacturing activities.

Arneson Products, Inc., our California subsidiary that manufactures the "Pool Sweep" automatic swimming pool cleaner, had moderately higher earnings in 1974. The firm

The Company's Value Giant retail chain operates on the West Coast.

"Pool Sweep" units move along a production line at Arneson Products.

SERVICES & OTHER

is introducing a new marketing program in 1975 that is expected to further increase profitability in the future.

Arneson's production capacity was increased during the year when the operation moved from cramped quarters in San Rafael, Calif., to larger facilities in Corte Madera just north of San Francisco.

Among Castle & Cooke's Southeast Asian manufacturing operations, Thai-American Steel Works Company of Bangkok recorded another new high in earnings due to very favorable marketing and general economic conditions there. However, because of competition recently entering the market, 1975 results are expected to be somewhat lower.

To help offset this situation, the 55% owned subsidiary has become Thailand's only producer of eight-inch steel pipe. This larger size in the company's line of galvanized and black steel pipe is used primarily for water mains in the Thai government's program to improve and expand Bangkok's water conveying facilities.

Malaysian Rock Products, 76% owned by Castle & Cooke, also reported record profits. The subsidiary, located in the Malaysian capital of Kuala Lumpur, increased its rock crushing capacity by more than 40% during the year, and will add another 60% increase in capacity in March of 1975 to keep pace with the very strong market demand there. The company's principal product is aggregate for the local construction and road building industries.

These coils of sheet steel will be formed into pipe at Thai-American.

Services & Other	**1974**	1973
Revenues	**$38,414,000**	$26,259,000
Earnings	**$11,187,000**	$ 5,034,000

The Company's service and other activities showed a substantial increase in 1974 revenues and operating earnings. Most of the gain came from the sale of operating assets during the year. These included the sale of the orchard and processing facilities of the Royal Hawaiian Macadamia Nut Division, which added $5,595,000 to revenues and to operating earnings ($3,724,000 net of taxes). Castle & Cooke has retained the Royal Hawaiian brand name and continues to market the macadamia nut production under an agreement with the new owner of the facilities.

The Company also sold its 72% ownership in Pacific Air Cargo Service of Honolulu.

The service activities consist of several relatively small transportation-related operations in Hawaii. Among these activities, Castle & Cooke Terminals, a major Honolulu stevedoring firm, reported an increase in revenues and earnings. Additional business will result from a new contract in early 1975 to perform stevedoring and related services in Honolulu for Pacific Far East Line, Inc.

Castle & Cooke's two trucking companies, Oahu Transport and Hawaiian Hauling Service, reported lower profits due to increased labor and fuel costs. Several recent rate increases approved by Hawaii's regulatory agency are expected to improve profitability of the two operations in 1975.

Management's Analysis of Interest Expense and Income Taxes

Interest Expense The interest cost increase was attributable primarily to increased short-term borrowings, principally by certain of the Company's subsidiaries, and to higher interest rates prevailing during 1974. Additional information relating to financing and interest expense is provided in the note to consolidated financial statements entitled "Financing."

Income Taxes The increase in income taxes was the result of increased taxable income for 1974. Comments pertaining to the effective tax rates and tax deferrals for both 1974 and 1973 appear in the note to consolidated financial statements entitled "Income Taxes."

Summary of Accounting Policies

Principles of Consolidation
The consolidated financial statements include the accounts of Castle & Cooke, Inc. and all subsidiaries except several small companies which are not considered to be significant investments. Inter-company accounts and transactions of material amounts are eliminated. Amounts carried in foreign currencies are translated into U.S. dollars as follows: current assets and liabilities at year-end exchange rates; long-term assets and liabilities at historical exchange rates; and income and expenses (other than depreciation) at average exchange rates during the year. Exchange adjustments are not material in amount and are included in net income.

Fiscal Year
The Company reports on a fiscal year which ends on the Saturday closest to December 31. The 1974 fiscal year ended December 28, 1974, and the 1973 fiscal year ended December 29, 1973. Both years consisted of 13 four-week periods for a total of 52 weeks.

Inventories
The Company's inventories are stated at the lower of cost or market. Cost is determined principally on a first-in, first-out basis. Specific identification, average cost and retail inventory methods are also used to a lesser extent for real estate projects, operating supplies and merchandise purchased.

Agricultural Operations
Growing crops consist of pineapple and sugar crops in Hawaii and are stated at static values, which are substantially less than current costs. Except for new major agricultural developments, the costs of growing all crops are charged to operations as incurred. Costs in excess of revenues relating to new major agricultural developments of pineapple plantations and banana farms are deferred during the formative stage and amortized over periods usually based on the length of various growing agreements.

Real Estate Operations
Real estate projects, consisting primarily of projects in various stages of development and unimproved land, are stated at the lower of cost or market. Land development costs are allocated to individual lots on the basis of relative sales values or average costs per acre. Carrying charges, including property taxes and interest on funds borrowed for specific projects, are added to the cost of the related projects until the development is completed and ready for sale, in accordance with trade practice. Charges of approximately $4,500,000 (net of taxes) against 1974 income were provided to adjust asset carrying value of some real estate projects to estimated net realizable value. Portions of real estate projects currently offered for sale and estimated to be sold within one year are included in inventories.

Revenue from real estate operations is recognized when title to the property and all related risks of ownership are conveyed to the buyer and collectibility of the sales price is reasonably assured.

Sugar Operations
All sugar produced by the Company is sold to California and Hawaiian Sugar Company (C and H), a cooperative, for additional processing and marketing. During 1974, the Company adopted the policy of recognizing income only to the extent of C and H's sales to outside parties rather than recording estimated income. This policy was adopted due to the significant fluctuations in sugar prices and would have had no material effect on profits as reported in prior periods. At December 28, 1974, the amount of estimated income deferral was $4,659,000 (net of taxes) based upon C and H's estimate of net value to be realized during 1975.

Investments
Investments in unconsolidated subsidiaries and other affiliates, over which the Company exercises significant influence, are recorded on the equity basis. Other investments are stated at cost.

Operating Plant and Equipment
Operating plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, the remaining lease term, if shorter.

Income Taxes
Amounts provided for income tax expense are based on income reported for financial statement purposes rather than amounts currently payable under tax laws. Deferred taxes, which arise principally from timing differences between the period in which certain revenues and expenses are recognized for financial accounting purposes and the period in which they affect taxable income, are included in the amounts provided for income taxes.

Appropriate U.S. and additional foreign income taxes, if any, are accrued on earnings of subsidiaries which are intended to be remitted to the parent company in the near future. Such taxes are not provided on subsidiaries' unremitted earnings which have been or are intended to be permanently reinvested.

Investment tax credits, which have not been material, are recorded as a reduction of current income tax expense in the year assets are placed in service.

Consolidated Statement of Income

(in thousands, except per share amounts)	Fiscal Year 1974	Fiscal Year 1973
REVENUES		
Food	**$562,562**	$512,330
Real estate	**46,163**	50,100
Merchandising	**81,527**	76,333
Manufacturing	**24,465**	29,927
Services and other	**38,414**	26,259
Total	**753,131**	694,949
COSTS AND EXPENSES		
Cost of products and merchandise sold (except depreciation)	**512,222**	489,451
Selling, service, general and administrative expenses	**137,473**	123,439
Depreciation	**14,978**	16,701
Interest (net of interest capitalized: 1974—$1,409; 1973—$2,215)	**15,984**	13,532
Total	**680,657**	643,123
INCOME BEFORE INCOME TAXES	**72,474**	51,826
INCOME TAXES	**26,981**	22,527
	45,493	29,299
MINORITY INTERESTS	**2,832**	2,423
NET INCOME	**$ 42,661**	$ 26,876
EARNINGS PER SHARE		
Primary	**$ 2.77**	$ 1.72*
Fully diluted	**$ 2.64**	$ 1.66*

*Earnings per share have been restated to give effect to the 10% stock dividend declared in December, 1974, and payable in February, 1975.

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

(in thousands)	**Dec. 28 1974**	Dec. 29 1973
CURRENT ASSETS		
Cash and short-term investments	**$ 20,875**	$ 33,791
Accounts receivable	**102,668**	77,543
Inventories	**206,510**	155,839
Prepaid expenses	**6,792**	4,837
Total current assets	**336,845**	272,010
GROWING CROPS	**3,354**	3,681
REAL ESTATE PROJECTS	**46,297**	35,116
INVESTMENTS		
Unconsolidated subsidiaries	**3,350**	2,336
Other affiliates	**18,232**	11,758
Other	**4,263**	4,486
LAND—At cost	**28,246**	28,575
OPERATING PLANT AND EQUIPMENT—Net	**120,491**	130,965
NON-CURRENT RECEIVABLES	**36,723**	42,467
OTHER ASSETS		
Agricultural development costs	**20,698**	20,767
Other	**11,962**	15,494
TOTAL	**$630,461**	$567,655

See Notes to Consolidated Financial Statements.

(in thousands)	**Dec. 28 1974**	Dec. 29 1973
CURRENT LIABILITIES		
Notes payable	**$ 50,555**	$ 28,828
Current portion of long-term debt	**15,405**	18,297
Accounts payable—trade	**50,117**	35,104
Income taxes payable	**9,738**	21,010
Other accrued liabilities	**22,820**	24,448
Deferred income taxes related to current assets	**14,333**	8,350
Total current liabilities	**162,968**	136,037
LONG-TERM DEBT	**136,815**	137,632
DEFERRED CREDITS		
Reserve for loss on Molokai operations to be terminated	**9,864**	9,928
Deferred income taxes	**7,185**	7,459
Deferred income on real estate and sugar	**18,818**	8,780
Other	**4,517**	5,839
MINORITY INTERESTS	**16,326**	18,528
STOCKHOLDERS' EQUITY		
Capital stock	**152,554**	141,207
Capital in excess of par value	**26,396**	23,170
Capital from acquisition of subsidiaries' stock	**16,969**	16,969
Retained earnings	**78,103**	62,160
Cost of treasury stock	**(54)**	(54)
Total stockholders' equity	**273,968**	243,452
TOTAL	**$630,461**	$567,655

Consolidated Statement of Changes in Stockholders' Equity

(in thousands)	$10 Par Value Common Stock	Cost of Treasury Stock	Capital in Excess of Par Value	Retained Earnings
BALANCE, DECEMBER 31, 1972	$129,131	$ (5,827)	$17,907	$68,162
Stock options exercised	230	—	66	—
5% stock dividend paid March 26, 1973	6,164	—	3,082	(9,246)
7% stock dividend paid March 18, 1974	9,237	—	2,540	(11,777)
Acquisition of treasury shares	—	(2,270)	—	—
Retirement of treasury shares	(3,555)	8,043	(517)	(3,971)
Net income	—	—	—	26,876
Cash dividends declared	—	—	—	(7,884)
Other changes—net	—	—	92	—
BALANCE, DECEMBER 29, 1973	141,207	(54)	23,170	62,160
10% stock dividend payable February 28, 1975	13,867	—	3,640	(17,507)
Acquisition of treasury shares	—	(3,053)	—	—
Retirement of treasury shares	(2,520)	3,053	(413)	(120)
Net income	—	—	—	42,661
Cash dividends declared	—	—	—	(9,091)
Other changes—net	—	—	(1)	—
BALANCE, DECEMBER 28, 1974	$152,554	$ (54)	$26,396	$78,103

See Notes to Consolidated Financial Statements.

Common Stock Data

	1974		1973	
Calendar Quarter	Cash Dividends Paid per Share Outstanding	Market Price Range*	Cash Dividends Paid per Share Outstanding	Market Price Range*
First Quarter	**$ .30****	**$12⅞-16¼**	$ .30**	$11¾-14⅜
Second Quarter	**.15**	**10¾-13⅜**	.15	10¼-13⅝
Third Quarter	**.15**	**9¼-11**	.15	10⅝-13⅜
Fourth Quarter	**.20**	**9⅛-15**	—	11¼-15¾

*Adjusted to give effect to stock dividends.
**$.15 declared in preceding fiscal year.

Consolidated Statement of Changes in Financial Position

(in thousands)	Fiscal Year 1974	Fiscal Year 1973
SOURCES OF WORKING CAPITAL		
Net income	**$ 42,661**	$ 26,876
Add items not requiring outlay of working capital:		
Depreciation and amortization	**16,671**	18,738
Reduction in carrying value of non-current assets	**12,297**	—
Income applicable to minority interests	**2,832**	2,423
Other	**(338)**	887
Provided from operations	**74,123**	48,924
Additions to long-term debt	**12,569**	6,863
Sales of capital stock under stock option plan	**—**	296
Increase in deferred income and other credits	**8,716**	3,003
Dispositions of property	**7,268**	8,610
Reduction of non-current receivables	**2,079**	—
Total	**104,755**	67,696
APPLICATIONS OF WORKING CAPITAL		
Additions to property	**19,406**	15,480
Cash dividends	**9,865**	8,755
Reduction of long-term debt	**13,386**	27,684
Purchase of treasury stock	**3,053**	2,270
Increase in investments—net	**2,706**	3,148
Increase in real estate projects	**18,216**	2,702
Other applications—net	**219**	461
Total	**66,851**	60,500
INCREASE IN WORKING CAPITAL	**$ 37,904**	$ 7,196
CHANGES IN WORKING CAPITAL COMPONENTS		
Cash and short-term investments	**(12,916)**	14,498
Accounts receivable	**25,125**	1,561
Inventories	**50,671**	(10,200)
Prepaid expenses	**1,955**	(1,079)
Notes payable and current portion of long-term debt	**(18,835)**	14,428
Accounts payable and other accrued liabilities	**(13,385)**	(1,829)
Income taxes payable	**11,272**	(14,020)
Deferred income taxes related to current assets	**(5,983)**	3,837
INCREASE IN WORKING CAPITAL	**$ 37,904**	$ 7,196

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

See Summary of Accounting Policies on page 18.

Changes in Subsidiaries

The Company purchased two mushroom facilities in 1974 for $2,681,000. Knaust Mushrooms, Inc., Valmeyer, Ill., was acquired on August 15. A 75% interest in Kinoko Mushrooms, São Paulo, Brazil, was acquired on September 18. The results of their operations, included in the consolidated statement of income since dates of acquisition, were not material.

In 1973, the Company acquired West Foods, Inc. in exchange for 420,000 shares of its common stock. The acquisition was accounted for as a pooling of interests, and accordingly, periods prior to the acquisition have been restated to include West Foods. The effect of such restatement was not material.

The Company sold the assets of the Royal Hawaiian Macadamia Nut Division in 1974. A gain of $5,595,000 is included in other revenues in the consolidated statement of income ($3,724,000, net of taxes, or $.24 per share).

In 1974, the Company reduced its percentage ownership in Republic Glass Corporation of Manila from 58% to 33%. The effect of this reduction is not material in relation to the Company's operations.

Inventories

Inventories are summarized as follows:

(in thousands)	1974	1973
Finished products and raw materials (principally food)	$118,615	$ 88,222
Real estate projects completed or under construction	20,715	20,993
Merchandise purchased	20,423	16,789
Operating supplies	46,757	29,835
Total	$206,510	$155,839

Foreign Operations

Total assets in foreign countries at the end of 1974, after elimination of intercompany amounts, were $202,577,000, including $91,513,000 of current assets. This compares with $182,510,000 and $70,809,000, respectively, at the end of 1973. A substantial part of these assets are employed to produce food products for sale in the United States and Canada. Sales to foreign customers represented 20% of total revenues in 1974 and 17% in 1973.

Operating Plant and Equipment

Major classes of operating plant and equipment were:

(in thousands)	1974	1973
Real estate improvements	$ 32,280	$ 32,947
Buildings	67,230	68,505
Machinery and equipment	165,926	169,669
Utility systems	22,849	23,435
Construction in progress	7,391	8,012
Total cost	$295,676	$302,568
Less accumulated depreciation	175,185	171,603
Operating plant and equipment—net	$120,491	$130,965

Financing

The Company has $20,500,000 in unsecured short-term credit lines from 20 domestic banks. The Company has informally agreed to maintain compensating balances, which are generally the greater of 10% of the credit line or 20% of any loan amount outstanding under the credit line. At December 28, 1974, $7 million was outstanding under these credit lines.

In 1972, the Company arranged for a revolving credit commitment from a group of nine domestic banks. The agreement enables the Company to borrow up to $36 million until August, 1975. Any amount outstanding at August, 1975, may, at the Company's option, be converted to a term loan repayable in 20 equal quarterly installments beginning November, 1975. A commitment fee of ½% is paid on any amount not drawn down. The Company has also informally agreed to provide compensating balances equal to 10% of the commitment, plus 5% of any loan amount outstanding under the agreement. At December 28, 1974, $1 million was outstanding under this commitment.

Compliance with compensating balance requirements on both the unsecured credit lines and the revolving credit commitment is determined on an average basis so that on any given date, none of the Company's cash is restricted by compensating balance agreements. During 1974 and 1973, the Company was in compliance with its compensating balance requirements.

Short-term notes payable at December 28, 1974, and December 29, 1973, were composed principally of borrowings by the Company's real estate subsidiaries to finance various real estate projects, and borrowings by certain foreign subsidiaries for working capital requirements. The average amounts outstanding and the effective interest rates during 1974 and 1973 were $41,492,000 at 10.4% and $28,399,000 at 10.1%, respectively. The highest amount outstanding at any period-end was $54,566,000 in 1974 and $31,876,000 in 1973.

Long-term debt at December 28, 1974, and December 29, 1973, less current maturities, is summarized below.

(in thousands)	1974	1973
5⅜% Convertible Subordinated Debentures	$ 30,000	$ 30,000
Unsecured notes:		
Fluctuating interest rate based on prime, maturing serially to 1975; 1973—6%	—	3,789
Fluctuating interest rate based on Eurodollar interbank rates, maturing serially from 1974 to 1981; 1974—range of 10 7/16% to 15 15/16% (average 12.93%); 1973—range of 7 3/16% to 13 3/16% (average 10.14%)	23,957	23,957
8⅞% maturing serially from 1977 to 1996	34,653	34,627
8% maturing serially from 1978 to 1987	15,000	15,000
Other, maturing serially to 1982; 1974—range of 5½% to 13¼% (average 11.1%); 1973—range of 5½% to 12¾% (average 9.4%)	3,316	6,502
Collateralized notes:		
Real estate notes payable: 1974—range of 8½% to 13¼% (average 12.2%); 1973—range of 6% to 10¾% (average 10.4%)	11,441	6,087
Mortgage, installment and other notes payable, maturing at various dates to 1993; 1974—range of 4.8% to 10.8% (average 7%); 1973—range of 4.8% to 10½% (average 6.8%)	18,448	17,670
Total	$136,815	$137,632

The debentures are convertible at any time into common stock. At December 28, 1974, the rate was one share for $28.67 of debenture principal. Full conversion would require 1,046,390 shares. Annual sinking fund payments of 5% of the principal amount outstanding at March 1, 1979, will begin in 1980 and continue through 1994, at which time the remaining balance is payable.

Payments on long-term debt other than real estate notes are due in the following years: 1975, $11,840,000; 1976, $12,878,000; 1977, $10,877,000; 1978, $10,565,000; 1979, $7,448,000; and thereafter, $83,607,000. In addition, real estate notes relating to real estate projects and land held for development are payable as units are sold or as related installments on contracts are collected.

Certain land, operating plant and equipment, real estate projects and notes receivable (aggregate cost: 1974, $82,956,000; 1973, $85,897,000) are pledged as collateral on short-term and long-term notes.

Provisions of the debenture indenture and other credit agreements require maintenance of minimum working capital, current ratios and debt ratios, and impose restrictions on payment of cash dividends by the Company and certain subsidiaries. At December 28, 1974, $24,165,000 of retained earnings were not restricted for payment of cash dividends.

Stockholders' Equity

Authorized capital consists of 1,000,000 shares of no par value preferred stock, none of which has been issued, and 25,000,000 shares of $10 par value common stock. At December 28, 1974, and December 29, 1973, 15,253,862 shares and 15,531,033 shares were outstanding, respectively. There were 1,550 shares in treasury at both dates.

At December 28, 1974, 1,572,974 shares were reserved for the conversion of debentures and exercise of stock options.

A 5% stock dividend was paid to stockholders on March 26, 1973. A 7% stock dividend was declared on December 14, 1973, and paid on March 18, 1974. On December 2, 1974, the Board of Directors declared a 10% stock dividend distributable on February 28, 1975, to stockholders of record December 16, 1974. Prior periods' per-share amounts have been adjusted to reflect these stock dividends.

Upon declaration of the stock dividend on December 2, 1974, the estimated fair market value of the shares ($17,507,000) was transferred from retained earnings to capital stock and capital in excess of par value.

Stock Options

The Company has qualified stock option plans under which options to purchase its common stock may be granted to officers and key employees of the Company and its subsidiaries. Option periods run for five years, and option prices are the market prices on the dates of grant. The options become exercisable cumulatively in equal amounts on each anniversary of the grant except that shares applicable to the last two years of each option period become exercisable one year prior to the end of such period.

Stock option transactions during the latest two fiscal years, as adjusted for stock dividends, including the 10% stock dividend declared December 2, 1974, are summarized as follows:

	Shares	Average Per Share	Total (000)
Balance outstanding, December 31, 1972 (35,132 exercisable)	296,147	$16.31	$4,831
Options granted	206,493	14.42	2,977
Options exercised	(28,504)	10.38	(296)
Options cancelled	(18,469)	16.89	(312)
Balance outstanding, December 29, 1973 (15,590 exercisable)	455,667	15.80	7,200
Options cancelled	(9,713)	17.62	(171)
Balance outstanding, December 28, 1974 (209,863 exercisable)	445,954	$15.76	$7,029

At December 28, 1974, 80,630 shares were available for future stock option grants.

Commitments and Contingent Liabilities

The Company and its subsidiaries have obligations under noncancellable leases, primarily for ship charters, retail stores and agricultural land. Lease terms are generally for less than the economic life of the property. Non-capitalized financing leases are not material in relation to the Company's operations. The total rental expense for the latest two years is as follows:

(in thousands)	1974	1973
Minimum rentals	$21,326	$17,124
Contingent rentals	2,278	1,109
	23,604	18,233
Less subleases	1,385	1,102
Total	$22,219	$17,131

Certain retail store and agricultural land leases provide for increases in minimum rentals based on percentages of sales or production. Aggregate minimum rental commitments, by major property categories, are shown for the following future periods:

(in thousands)	Ship Charters	Agricultural Land	Retail Stores	Other Plant & Equipment
For the year:				
1975	$15,235	$1,064	$1,430	$2,764
1976	3,539	1,063	1,718	2,413
1977	411	1,077	1,815	1,970
1978	399	1,065	1,709	1,818
1979	320	891	1,534	1,407
For the five years ending:				
1984	331	3,855	7,336	4,004
1989	—	2,979	6,015	1,257
1994	—	430	4,723	367
Thereafter	—	89	5,137	591

At December 28, 1974, the Company and several of its subsidiaries were contingently liable for $6,765,000 for notes discounted and mortgage loans endorsed, and for $48,894,000 for guarantees of affiliated companies' indebtedness.

The Internal Revenue Service completed its field examination of the Company's consolidated federal income tax returns for the years 1970 and 1971. The Company reached a settlement with the Internal Revenue Service for the years 1967 through 1969 relating principally to the treatment of

profit on certain land sales. Any additional taxes resulting from settlement of these matters are not expected to have a material effect on the financial statements.

A legal action filed in 1969 seeking annulment of Dole Philippines' grower agreement in that country is pending before the Philippine Supreme Court. In the opinion of counsel, the petition has been rendered moot by the new Philippine Constitution.

The appeal from the adverse decision of the U.S. District Court in Louisiana, holding Standard Fruit and Steamship Company guilty of breach of a cooperative contract, was argued on March 13, 1974. The Court of Appeals upheld the decision of the lower court in part, but reduced its award to $426,475. No further appeal was taken, and the judgment was paid.

A complaint has been filed in California against the Company and a subsidiary by a wholesale distributor of fresh fruits alleging an attempt to monopolize the sale of fresh pineapple in the United States. The complaint sought treble damages in an undetermined amount and an injunction. Although the plaintiff did not seek any specific amount of damages in the complaint, it alleged damages of about $1,000,000. On December 4, 1973, the court permitted the plaintiff to amend its complaint to challenge the legality of Castle & Cooke's acquisition of Standard Fruit and Steamship Company. Trial of the matter is scheduled to commence March 3, 1975. The Company's counsel has advised that, in its opinion, the complaint is without merit.

In December, 1974, the United States filed three civil and two criminal anti-trust actions against a number of principal sugar refineries, including California and Hawaiian Sugar Company (C and H), in which the Company has a working interest of approximately 8.9%, alleging conspiracy to violate the Sherman Act through price-fixing. Subsequent thereto, several private, treble-damage suits were filed. Management of C and H has assured the Company that the charges are without merit.

Pension and Retirement Plans

The Company and its consolidated subsidiaries have qualified retirement plans covering most full-time employees. The cost of these plans amounted to $4,663,000 and $3,607,000 for the years 1974 and 1973, respectively. The increased costs result primarily from increased benefits under certain bargaining unit plans and from increases furnished to pensioners. Accrued pension costs, net of actuarial gains and losses, are funded currently. Actuarial gains and losses are amortized over 10 years. As of the most recent valuation date, the actuarially computed value of vested benefits exceeded the aggregate value of the pension fund assets and balance sheet accruals by approximately $11,364,000.

The Company and several subsidiaries also are parties to various industry-wide collective bargaining agreements which provide for pension benefits. Total contributions to these plans, including direct payments to pensioners, were $1,163,000 for the year 1974 and $1,421,000 for the year 1973.

Income Taxes

Current and deferred tax expense included in the consolidated statement of income was as follows:

(in thousands)	1974	1973
CURRENT:		
Federal	$11,544	$16,377
Foreign	4,763	8,521
State and local	3,958	1,442
	20,265	26,340
DEFERRED:		
Federal	6,430	(3,775)
Foreign	29	277
State and local	257	(315)
	6,716	(3,813)
Total tax expense	$26,981	$22,527

The Company's effective income tax rate varies from the statutory federal income tax rate for the following reasons:

	1974	1973
Statutory federal income tax rate	48.0%	48.0%
Foreign income which is taxed at lower rates	(8.3)	(7.5)
State and local income taxes, net of federal income tax benefit	3.0	.9
Gain on sale of assets	(1.6)	(1.1)
Other items	(3.9)	3.2
Effective tax rate	37.2%	43.5%

Sources of deferred taxes and the tax effect of each were as follows:

(in thousands)	1974	1973
Joint venture and partnership losses	$1,971	$ 6
Gain (Loss) on sale of assets	1,223	(146)
Revenue recognized for financial statement purposes but deferred for federal income tax purposes	6,230	657
Inventory stated at static value on tax return and at the lower of cost or market in financial statements	12	(3,032)
Real estate revenue recognized on the installment method for tax purposes	1,212	1,943
Tax on extraordinary item resulting from change in fiscal year	—	(2,622)
Deferral of taxable domestic international sales corporation (DISC) earnings	(288)	583
Other	(3,644)	(1,202)
Total deferred tax	$6,716	$ (3,813)

Unremitted earnings of subsidiaries which have been or are intended to be permanently reinvested aggregated $35,021,000 at December 28, 1974. If taxes were to be provided on such earnings, the estimated total of such taxes would be $12,522,000.

Capitalized Interest

The Company has capitalized interest on borrowed funds in connection with real estate and agricultural projects. The effect on net income for both 1974 and 1973 would have been immaterial had the Company charged all interest to expense as incurred.

Earnings Per Share

Primary earnings per share are based on the weighted average number of shares outstanding during the period after consideration of shares issued in pooling of interests, stock dividends declared and shares issuable upon exercise of stock options at prices below the average market price of the Company's common stock during the related period.

Fully diluted earnings per share are computed on the same basis as primary earnings per share after consideration of the additional dilutive effect which could result from the conversion of outstanding debentures.

Auditors' Reports

To the Stockholders of Castle & Cooke, Inc.:

We have examined the consolidated balance sheet of Castle & Cooke, Inc. and subsidiaries as of December 28, 1974 and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Castle & Cooke, Inc. and subsidiaries at December 28, 1974 and the results of their operations and the changes in their financial position for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

Peat, Marwick, Mitchell & Co.

Honolulu, Hawaii
January 27, 1975

To the Stockholders of Castle & Cooke, Inc.:

We have examined the consolidated balance sheet of Castle & Cooke, Inc. and subsidiaries as of December 29, 1973 and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Castle & Cooke, Inc. and subsidiaries at December 29, 1973 and the results of their operations and the changes in their financial position for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

Haskins & Sells

Honolulu, Hawaii
January 29, 1974

Financial History

(dollars in thousands, except per share amounts)	Fiscal Year		Nine Months Ended
OPERATIONS FOR THE PERIOD*	**Dec. 28, 1974**	Dec. 29, 1973	Dec. 31, 1972
Revenues	**$753,131**	$694,949	$456,976
Income before extraordinary items	**42,661**	26,876	13,876
Extraordinary items—net	**—**	—	(1,445)
Net income	**42,661**	26,876	12,431
Return on average equity	**16.49%**	11.44%	5.58%
Earnings per common share, assuming no dilution:**			
Income before extraordinary items	**2.77**	1.72	.89
Extraordinary items	**—**	—	(.09)
Net income	**2.77**	1.72	.80
Dividends declared to Castle & Cooke stockholders:			
Cash dividends	**9,091**	7,884	5,525
Per share**	**.59**	.51	.36
Stock dividends	**10%**	5% & 7%	—
Depreciation expense	**14,978**	16,701	12,884
Capital expenditures	**19,406**	15,480	9,557

AT YEAR END*			
Current assets	**336,845**	272,010	267,230
Current liabilities	**162,968**	136,037	138,453
Working capital	**173,877**	135,973	128,777
Ratio of current assets to current liabilities	**2.07 to 1**	2.00 to 1	1.93 to 1
Total assets	**630,461**	567,655	568,463
Long-term debt	**136,815**	137,632	158,453
Stockholders' equity	**273,968**	243,452	226,342
Per share**	**17.96**	15.68	14.42

*Amounts shown have been restated to include pooling of interest acquisitions.

**Per share amounts have been restated to give effect to stock dividends.

Year Ended March 31				Eleven Months Ended March 31,	Year Ended April 30	
1972	1971	1970	1969	1968	1967	1966
$547,354	$514,665	$508,987	$455,495	$371,446	$349,812	$336,498
11,648	7,274	20,467	15,250	12,782	9,857	11,754
934	3,478	(2,743)	3,533	—	1,434	—
12,582	10,752	17,724	18,783	12,782	11,291	11,754
6.08%	5.58%	9.68%	11.18%	8.25%	7.71%	8.49%
.76	.51	1.47	1.12	.95	.74	.89
.06	.25	(.20)	.26	—	.11	—
.82	.76	1.27	1.38	.95	.85	.89
7,273	6,609	6,254	5,455	4,317	3,987	3,656
.48	.48	.45	.44	.38	.37	.34
—	5%	—	100%	—	5%	50%
15,939	13,506	11,989	11,219	8,733	8,501	8,229
20,145	30,128	27,432	23,109	19,092	20,233	21,276
233,869	211,547	189,519	177,870	153,835	137,180	123,976
119,294	145,746	115,303	110,863	80,301	75,029	71,133
114,575	65,801	74,216	67,007	73,534	62,151	52,843
1.96 to 1	1.45 to 1	1.64 to 1	1.60 to 1	1.92 to 1	1.83 to 1	1.74 to 1
542,373	498,193	451,326	421,065	354,822	308,973	274,734
165,089	129,103	117,088	112,466	96,495	59,410	33,617
218,826	194,978	190,597	175,646	160,297	149,678	143,272
14.11	13.79	13.52	12.81	11.87	11.27	10.84

Directors

A. S. Atherton
President, Gannett Pacific Corp.
Newspaper Publishers

W. M. Bush [1,2]
Retired Executive Vice President, Castle & Cooke, Inc.

H. B. Clark Jr. [4]
Executive Vice President, Castle & Cooke, Inc.

James J. Finch [2,3]
California Citrus and Avocado Rancher

James F. Gary [4]
President, Pacific Resources, Inc.
Oil Refinery & Gas Utility Holding Company in Hawaii

John D. Gray
Chairman of the Board, OMARK Industries, Inc.
Manufacturer of Industrial Tools, Equipment & Systems

D. J. Kirchhoff [1]
President, Castle & Cooke, Inc.

C. Calvert Knudsen [4]
Senior Vice President, Weyerhaeuser Co.
Forest Products

Malcolm MacNaughton [1]
Chairman of the Board, Castle & Cooke, Inc.

Leonard Marks Jr. [4]
Executive Vice President - Finance, Castle & Cooke, Inc.

John H. Magoon Jr. [3,4]
Chairman of the Board, Hawaiian Airlines, Inc.
Certified Common Air Carrier

James E. Nall
President, Investment Corporation of Florida
Community Developer

David T. Pietsch
Executive Vice President, Title Guaranty of Hawaii, Inc.
Land Title Organization

Samuel A. Pond [2,3]
Associate Dean, Graduate School of Business,
Stanford University

J. S. B. Pratt III [1,2,3]
Chairman of the Board, Hawaiian Trust Co., Ltd.
General Trust Services

Richard H. Wheeler [1]
President, Andrade & Co., Ltd.
Retail Clothing Chain Throughout Hawaii

[1] Executive Committee
[2] Finance & Audit Committee
[3] Corporate Compensation Committee
[4] Pension Committee

Officers*

Malcolm MacNaughton
Chairman of the Board

D. J. Kirchhoff
President

H. B. Clark Jr.
Executive Vice President

Leonard Marks Jr.
Executive Vice President - Finance

Robert S. Gordon
Senior Vice President

C. M. Waite
Senior Vice President

Robert M. Moore
Vice President & General Counsel

S. P. McCurdy
Vice President & Secretary

Mitsuyoshi Fukuda
Vice President

Richard M. Macfarlane
Vice President

John S. McGowan
Vice President

C. J. Patterson
Vice President

Raymond W. C. Wong
Vice President

D. W. Furbee
Controller

R. A. Minckler
Treasurer

Roland M. Kemp
Group Controller

W. T. Miller
Group Controller

Randolph G. Moore
Group Controller

William J. Hain
Assistant Controller

George Miyasaka
Assistant Controller

M. R. Durnam
Assistant Treasurer

James Henderson
Assistant Treasurer

C. Peter Rainey
Assistant Treasurer

Peter Schoenwald
Assistant Treasurer

Jean B. Stevens
Assistant Secretary

June Takafuji
Assistant Secretary

*All officers are full-time employees of Castle & Cooke, Inc.

Auditors
Peat, Marwick, Mitchell & Co.
Honolulu

Stock Transfer Agents & Registrars
Hawaiian Trust Co., Ltd.
Honolulu

Wells Fargo Bank, N.A.
San Francisco

Morgan Guaranty Trust Company
of New York
New York

Debenture Trustee
Bankers Trust Co.
New York

10-K Report
Copies of Castle & Cooke's 10-K report, a corporate operational and financial report filed annually with the Securities and Exchange Commission, are available without charge for those who wish to have more detailed information about the Company. If you would like a copy, or have any other inquiries about the Company, please write to:

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